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Overcoming incentive constraints by linking decisions. (English) Zbl 1201.91036
Econometrica 75, No. 1, 241-257 (2007).

Summary: Consider a Bayesian collective decision problem in which the preferences of agents are private information. We provide a general demonstration that the utility costs associated with incentive constraints become negligible when the decision problem is linked with a large number of independent copies of itself. This is established by defining a mechanism in which agents must budget their representations of preferences so that the frequency of preferences across problems mirrors the underlying distribution of preferences, and then arguing that agents' incentives are to satisfy their budget by being as truthful as possible. We also show that all equilibria of the linking mechanisms converge to the target utility levels. The mechanisms do not require transferable utility or interpersonal comparisons of utility, and are immune to manipulations by coalitions.

MSC:

91B06 Decision theory
91B14 Social choice

Cited in **2** Reviews
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Keywords:

[mechanism design](#); [implementation](#); [linking](#); [Bayesian equilibrium](#); [efficiency](#)

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